



# Department of Justice

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FOR IMMEDIATE RELEASE  
FRIDAY, AUGUST 18, 2000  
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AT  
(202) 514-2008  
TDD (202) 514-1888

## **GERMAN COMPANY PLEADS GUILTY TO RIGGING BIDS ON USAID CONSTRUCTION CONTRACTS IN EGYPT**

### **Philipp Holzmann AG Sentenced To Pay \$30 Million Criminal Fine**

WASHINGTON, D.C. -- Philipp Holzmann AG, a Frankfurt, Germany construction company, pleaded guilty and was sentenced to pay a \$30 million fine for its participation in a conspiracy to rig bids on construction contracts funded by the United States Agency for International Development (USAID) in the Arab Republic of Egypt, the Department of Justice and the U.S. Attorney's Office for the Northern District of Alabama announced today.

In a one-count felony case, filed on August 11, in U.S. District Court in Birmingham, Alabama, and unsealed today at sentencing, Holzmann was charged with participating in a conspiracy to suppress and eliminate competition by rigging bids in violation of the Sherman Act.

As part of its commitments under the Camp David Peace Accords, the United States has funded numerous construction contracts intended to foster stability and public health in the Middle East. The conspiracy charged in this case involves bid rigging on certain wastewater treatment facilities construction contracts from June 1988 until at least January 1995.

"The charge in this case is the result of a far-reaching international investigation into the illegal operations of a group of contractors who rigged bids on USAID-funded construction work," said Joel

I. Klein, Assistant Attorney General in charge of the Antitrust Division. "By rigging these USAID-funded contracts, the parties to this scheme picked the pockets of the American taxpayers. Such conduct will be prosecuted vigorously."

Today's case, the first to arise out of an ongoing federal investigation, charges that Holzmann, along with its co-conspirators, carried out the conspiracy by:

- participating in meetings and conversations to discuss rigging bids on two USAID-funded construction contracts;
- agreeing to bid at certain levels and otherwise to increase the price level of bids on the two contracts;
- agreeing to reduce or eliminate competition on the two contracts;
- agreeing that Holzmann would compensate its co-conspirators for their commitments to reduce or eliminate competition on the two contracts; and
- issuing bid tenders and making submissions on the two contracts in accordance with the agreements reached.

"This German company committed illegal activity in Alabama that had a serious impact on U.S.-funded international construction projects," said Doug Jones, U.S. Attorney for the Northern District of Alabama. "It is essential that our taxpayers have confidence in the bidding process which can only come from ensuring open and fair competition."

The two USAID-funded contracts that are the subject of this case totaled approximately \$150 million. In both instances, Holzmann agreed to pay a "loser's fee" to its co-conspirators in exchange for their agreement to artificially inflate their bids or to refrain from submitting a bid at all. The "loser's fees" paid by Holzmann to its co-conspirators on these two contracts amounted to several million dollars.

"The successful prosecution of this German firm for rigging bids for a USAID-funded project should make it clear that no international cartel that defrauds American taxpayers is beyond the reach of American law enforcement," said Klein.

Holzmann is charged with violating Section 1 of the Sherman Act, which carries a maximum fine of \$10 million for corporations. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

The dollars received from this fine will be deposited into the Crime Victims Fund, which is used to provide financial compensation and direct services to victims of crime and training and technical assistance for victim advocates, criminal justice professionals, and allied professionals across the country. The fund is supported by fines paid by federal criminal offenders, not taxpayers, and is administered by the Office for Victims of Crime (OVC).

Under its plea agreement with the government, Holzmann is cooperating with the ongoing investigation being conducted jointly by the Justice Department's Antitrust Division, Atlanta Field Office, and the USAID, Office of Inspector General. Additional investigative support is being provided by the Federal Bureau of Investigation.

Anyone with information concerning bid rigging on USAID-funded construction projects should contact the Antitrust Division's Atlanta Field Office at (404) 331-7100.

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